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ARIZONA CORPORATION COMMISSION

RECEIVED

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JAN 25 2008

January 25, 2008

CERTIFIED MAIL

Mr. Ronald D. Standage
Tonto Village Water Company, Inc.
Post Office Box 9116
Mesa, Arizona 85362

RE: TONTO VILLAGE WATER COMPANY, INC. - APPLICATION FOR A RATE
INCREASE, DOCKET NO. W-01580A-07-0707

LETTER OF DEFICIENCY

Dear Mr. Standage:

In reference to your rate application received on December 27, 2007, this letter is to inform you that your application has not met the sufficiency requirements as outlined in Arizona Administrative Code R14-2-103.

Staff has found several deficiencies with your application, which are listed on a separate attachment. The 30-day sufficiency determination period will begin anew when the Company corrects the deficiencies and Docket Control receives an original and sixteen copies of the corrected pages.

You have 15 calendar days, or until February 8, 2008, to correct the deficiencies or make other arrangements with Staff to remedy your rate application. If the corrections or other arrangements are not made by the above date, Staff will request your docket number be administratively closed. Docket Control will retain one copy of the original application for Commission records. You may file an original and sixteen copies of an updated application at a later date.

Arizona Corporation Commission
DOCKETED

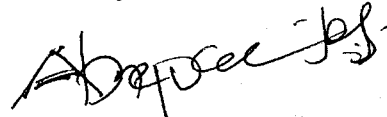
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Mr. Ronald D. Standage
January 25, 2008
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The Staff person assigned to your application is Charles R. Myhlousen. He can be reached at (602) 542-0863, or toll free at (800) 222-7000, if you have any questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Abinuh', with a stylized flourish at the end.

Elijah Abinuh
Assistant Director/Acting Chief Accountant
Financial & Regulatory Analysis Section
Utilities Division

EOA:CRM:tdp

CC: Docket Control Center (sixteen copies)
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

TONTO VILLAGE WATER COMPANY, INC
DOCKET NO. W-01580A-07-0707
TEST YEAR ENDED DECEMBER 31, 2006

ATTACHMENT OF DEFICIENCIES (1/25/2008)

- 1.1 The water testing expense invoices furnished with the application totaled \$1,523. The amount for water testing expense on page 19 of the application is \$2,248. Please reconcile either by supplying additional invoices, correcting the amount for this expense on page 19 of the application or supply an explanation of the difference.
- 1.2 The repairs and maintenance expense invoices furnished with the application totaled \$4,336. The amount for repairs and maintenance expense on page 19 of the application is \$11,486. Please reconcile either by supplying additional invoices, correcting the amount for this expense on page 19 of the application or supply an explanation of the difference.
- 1.3 The Arizona Department of Environmental Quality ("ADEQ") monitoring assistance program annual sampling fee invoice was furnished for the year 2007, paid in year 2006. Please furnish the ADEQ monitoring assistance program sampling fee invoice for the year 2006 paid in year 2005.
- 1.4 The bill count total amount for proposed revenue is incorrect. Please correct.
- 1.5 Page 15, Utility Plant in Service Schedule. Column A, plant item # 304 amount and Page 14 Column D, plant item amount # 304 should be the same amount. Please reconcile. Then please correct the Total Water Plant for column A.
- 1.6 Page 20, Calculation of Depreciation Expense Schedule, Column A, Plant item # 304 is incorrect. Please correct. Also please recompute the depreciation expense in Column D. Also correct the Total Water Plant amounts for column A and Column D.
- 1.7 Page 15, Utility Plant in Service Schedule. Please correct column B, amount for accumulated depreciation for plant Item # 304. Correct Column C amount. Also please correct the Total Water Plant Column B and Column C.
- 1.8 Page 21, Balance Sheet Schedule, Balance at end of Test Year column for Plant item # 101 Utility Plant in Service is incorrect because of changes made to pages 14 and 15. Please correct.
- 1.9 Page 21, Balance Sheet Schedule, Balance at end of Test Year column for item # 108 Accumulated Depreciation-Utility Plant is incorrect because of changes made to pages 14 and 15. Please correct.

TONTO VILLAGE WATER COMPANY, INC
DOCKET NO. W-01580A-07-0707
TEST YEAR ENDED DECEMBER 31, 2006

ATTACHMENT OF DEFICIENCIES (1/25/2008)

- 1.10 Page 19, Income and Expenses Schedule, Test Year column, Account Number 403 is incorrect because changes made on other schedules. Please correct. Also correct the Total Operating Expense amount, Operating Income (loss) amount and Net Income (loss) amount for the test year column.
- 1.11 The Company was ordered to install a new source of water by June 30, 2006 in Decision No. 68066. The Company has not met this condition, although the Company has requested time extension, the Commissioners had granted time extension to April 30, 2008 in Decision No. 69911. However, applicant fails to address how the Company will physically and financially plan to meet the Decision order. Please provide information as to how the Company will physically and financially meet the Decision order requirement.
- 1.12 Based on the water usage data in the application, the Company had a 15 percent water loss during the test year. It appears that water loss rate increased from 7 percent in year 2004 rate case to 15 percent in the 2007 rate case. The Company needs to either recheck the data or provide its water loss reduction plan.
- 1.13 The system was equipped with disinfection devices. ADEQ has requested all Companies that disinfect the drinking water to conduct disinfection tests. However, the Company fails to provide lab invoices of testing disinfection byproducts. Please provide these invoices.
- 1.14 According to the water usage data schedule the Company had 190 metered customers at the end of year 2006. However, the Company reported that the Company has 196 metered customers in the system (see page 17 of the application). The Company needs to verify if the 196 metered customers was accurate.
- 1.15 The Company needs to split its proposed service line and meter installation charge rate to service line charge and meter installation charge so that the service line charge and meter installation charge are stated separately for each size.